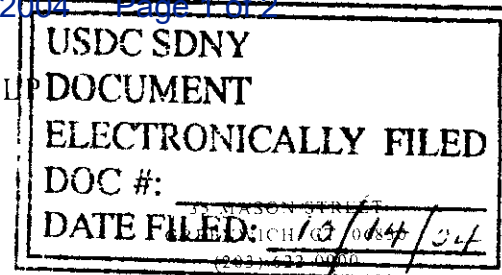


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OCT 13 2004

October 12, 2004

**BY HAND DELIVERY**

Honorable Kimba M. Wood, U.S.D.J.  
Daniel Patrick Moynihan United States Courthouse  
500 Pearl Street, Room 1610  
New York, New York 10007-1312

MEMO ENDORSED

**Re: Angulo Capital Corp. and Gerard Angulo. v.  
Skadden, Arps, Slate, Meagher & Flom, LLP  
Civil Action No.: 04-CV-3114 (KMW)**

Dear Judge Wood:

We represent defendant Skadden, Arps, Slate, Meagher & Flom, LLP ("Skadden") in the referenced action. In accordance with Your Honor's instruction during the parties' case management conference on September 27, 2004, we respectfully submit this status report. As Your Honor directed, on October 4, 2004, after counsel agreed upon a Stipulation of Confidentiality providing for review on an "attorney's eyes only" basis, which has been submitted to this Court, we served plaintiffs' counsel with the supplemental Affidavit of Earle Yaffa, dated September 30, 2004, with exhibits. We enclose herewith for Your Honor's in camera review a copy of Mr. Yaffa's affidavit.

The issue the Court requested be clarified was whether Skadden's partners who are domiciled abroad constitute full equity partners for diversity purposes. If so, based on the Second Circuit's decision in Herrick Co. v. SCS Communications, Inc., 251 F.3d 315 (2d Cir. 2001), complete diversity of the parties is absent, and consequently this Court lacks subject matter jurisdiction.

We submit that, based on Mr. Yaffa's supplemental affidavit (as well as upon the affidavits submitted in connection with Skadden's motion to dismiss), Skadden has conclusively demonstrated that its partners who are domiciled abroad meet the requisite standard. Thus, because Skadden has partners who are United States

ZEICHNER ELLMAN & KRAUSE LLP

Honorable Kimba M. Wood, U.S.D.J.  
October 12, 2004  
Page 2

citizens, domiciled abroad, diversity is lacking. This Court, therefore, does not have subject matter jurisdiction to adjudicate plaintiffs' claims.

As Mr. Yaffa attests, Skadden has only one class of partners, of which Christopher L. Baker, Bruce M. Buck, Hillary S. Foukes, Noubuhisa Ishizuka and Alan G. Schiffman (the "Non-Domiciliary Partners") are all clearly members. Each of the Non-Domiciliary Partners is a full partner with rights and obligations equal to any other of Skadden's 381 partners. Further, all of Skadden's partners, including the Non-Domiciliary Partners, are compensated pursuant to the decisions of Skadden's compensation committee, which determines Skadden's profits, and allocates same among the partners. In short, the Non-Domiciliary Partners, and their attendant rights and obligations as partners, are no different than any other Skadden partner, wherever they be located.

On October 5, 2004, I discussed Mr. Yaffa's affidavit with plaintiffs' counsel, and requested that in light of the facts set forth therein, plaintiffs voluntarily dismiss their complaint. Plaintiffs' counsel would not agree.

We submit that Mr. Yaffa's supplemental affidavit decidedly resolves any remaining issues relating to plaintiffs' opposition to Skadden's pending motion to dismiss. No further discovery is necessary, and diversity jurisdiction in this Court is lacking as a matter of law. We therefore request that the Court grant Skadden's motion, and dismiss plaintiffs' complaint with prejudice.

If the Court has any further questions, we stand ready to respond.

Respectfully submitted,

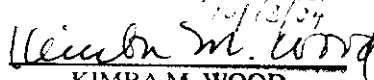
  
Stuart A. Krause

SAK:mos

cc: Eric W. Berry, Esq.

*If plaintiff has good cause to contest defendant's position taken re. jurisdiction at this point, it shall submit any evidence and/or law upon which it relies by Oct. 21, 2004, by fax.*

SO ORDERED, N.Y., N.Y.

  
KIMBA M. WOOD  
U.S.D.J.